

A Compensation Scheme For Delays By Royal Mail

**Supplementary Consultation on a Proposed
Determination**

23 April 2003

Summary

1. This is a supplementary consultation on the detailed proposals for a compensation scheme for delay by Royal Mail Group plc ("Royal Mail") in the conveyance of letters and postal packets. The greater part of these proposals was discussed in a number of earlier consultation and decision papers issued by Postcomm. These papers are –
 - October 2002 A Proposals Document – Review of Consignia's Price and Service Quality Regulation: A Compensation Scheme,
 - February 2003 Final Proposals Document – Review of Royal Mail Group plc's Price and Service Quality Regulation, and
 - March 2003 Licence Modification and Decision Document – Review of Royal Mail Group plc's Price and Service Quality Regulation.
2. Postcomm is proposing to introduce a compensation scheme for Royal Mail's customers by the determination at Annex A.
3. The basic terms of the scheme are broadly discussed in Chapter 8 of Postcomm's March 2003 Licence Modification and Decision Document on Royal Mail's price control.
4. There are two outstanding issues on which views now are particularly sought –
 - evidence needed to support claims for compensation, and
 - the detail of arrangements for payments of compensation to recipients of certain types of late bulk mail.
5. Comments on the proposed determination generally, and on the outstanding issues in particular, are requested by 23rd June 2003.
6. Subject to these comments, Postcomm intends to bring the compensation scheme into effect as follows:
 - bulk mail - compensation for senders with immediate effect,
 - retail mail – 1 October 2003, and

- bulk mail – compensation for recipients of certain types of bulk mail on 1 January 2004.

Table of contents

1.	Introduction.....	4
2.	Proposed Compensation Scheme	7
3	Evidence and Recipients of Bulk Mail.....	11
Annex A17		
	Draft Determination of a Standards of Service Compensation Scheme.....	17

1. Introduction

Purpose of this document

- 1.1 This consultation paper supplements the following documents:
- 3 October 2002 Proposals Document – Review of Consignia’s Price and Service Quality Regulation: A Compensation Scheme,
 - 6 February 2003 Final Proposals Document – Review of Royal Mail Group plc’s Price and Service Quality Regulation and Compensation, and
 - 31 March 2003 Licence Modification and Decision Document – Review of Royal Mail Group plc’s Price Control and Compensation: Decision Document.
- 1.2 For details of Postcomm’s role and duties and the background to this issue, please refer to the above papers which are available on Postcomm’s website at www.postcomm.gov.uk.
- 1.3 Under the terms of Condition 4 of the licence granted to Royal Mail on 23 March 2001, Royal Mail was required to establish a Standards of Service Compensation Scheme to be agreed with Postwatch. In default of agreement, the scheme would be determined by Postcomm.
- 1.4 Discussions between Royal Mail and Postwatch took place after the grant of the licence. A number of elements of a compensation scheme were agreed but its terms were not fully settled.
- 1.5 Accordingly, in October 2002, Postcomm commenced detailed consultation on the provisions of a possible determination.
- 1.6 Further consultation took place in February 2003, followed by a decision in principle in March 2003, as set out in the papers referred to above.
- 1.7 The proposals for compensation put forward in March 2003 were closely linked to Postcomm’s decision on a new price control for Royal Mail’s services. The implementation of that decision and new standards of service resulted in

replacement of Condition 4 and the reframing of the provisions under which a Standards of Service Compensation Scheme could be introduced by determination if not agreed between Royal Mail and Postwatch.

- 1.8 Although it was possible, it was always unlikely that Royal Mail and Postwatch would agree compensation provisions in the time provided by the amended licence condition 4; they have not done so. Postcomm therefore has to decide finally whether to introduce a compensation scheme by determination and, if so, what its terms should be. This supplementary consultation seeks views on the detail of Postcomm's proposals to introduce a compensation scheme for customers experiencing delay by Royal Mail in the conveyance of letters and parcels under the amended licence condition.
- 1.9 The determination that Postcomm now proposes to make is set out in full in Annex A.
- 1.10 Views are requested on the proposal generally and on the two particular issues described in Chapter 3, namely –
- the evidence needed to be provided to support claims for compensation, and
 - the detail of arrangements for payments of compensation to recipients of certain types of late bulk mail.

How to make representations

- 1.11 Representations on the proposed determination should be sent to –

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- 1.12 Under the provisions of Condition 4 of Royal Mail's licence 28 days' notice is required to be given of a proposal by Postcomm to make a determination

introducing a compensation scheme. Postcomm has decided to allow 2 months' notice and representations therefore are requested by 23rd June 2003.

1.13 Postcomm would like to make public the responses it receives to this consultation document. If you do not want your response or any part of it to be read outside Postcomm please ensure that your response clearly indicates that it, or part of it is confidential.

1.14 If you are happy for the substance of your response to be made public but do not want the name of the individual who signed it or the organisation which submitted it to be revealed, please indicate this by adding "name of organisation/sender not to be published".

2. Proposed Compensation Scheme

- 2.1 This chapter describes Postcomm's general proposals for a compensation scheme by Royal Mail and seeks any further general views that consultees may wish to express.
- 2.2 The details of the proposed compensation scheme are set out in some length in Postcomm's March 2003 Licence Modification and Decision Document. The scheme provided for compensation for delay and the following is a summary of its main features.

Retail Mail

- 2.3 Compensation for delay is proposed for senders or recipients of retail mail on the following basis.
- **1st and 2nd class stamped and metered mail and standard retail parcels** – compensation of 12 first class stamps if mail is delayed for three days¹ or more beyond the due date for delivery and basic evidence is provided, or £5 if further evidence is available. Where delay is excessive (ten days beyond the due date) and further evidence is available, compensation of £10 will be payable. Royal Mail will be able to continue to provide payment beyond the minimum levels set by the scheme (as it does at present in appropriate circumstances, offering up to 100 times the cost of a first class stamp). Compensation would not be paid where Royal Mail is satisfied that a claim is not justified.
 - **Special Delivery** – payment of £5 immediately after due date and £10 where the delay is excessive. Compensation would not be paid where Royal Mail is satisfied that the claim is not justified.
 - **Claims** – will be made within a specified time, and will be dealt with expeditiously and within the timeframes currently operated by Royal Mail.

¹ Seven days for retail parcels in the first year of the scheme.
Postal Services Commission
Compensation by Royal Mail
Supplementary consultation

- **Complaints** – will be dealt with expeditiously and within the timeframes currently operated by Royal Mail. Where a claim cannot be settled it will be referred to Postwatch.
- **Exceptions to the scheme** – will include: claims that are not justified (for example because of fraud), cases of force majeure (but not including industrial action by Royal Mail staff), items posted outside the relevant postal schemes, delay caused by other arrangements agreed with the customer, where the postal address is incorrect, postage is unpaid or underpaid, delay caused by third parties. Claims made by those on the Universal Service delivery exceptions list will be dealt with on a case by case basis and take into account the ability to deliver within the tail of mail in relation to the number of deliveries made.

Bulk Mail Scheme

2.4 Compensation for delay is proposed for senders of bulk mail on the following basis.

- **Bulk mail services as listed in the Annex to Condition 4 of Royal Mail's Licence** – compensation will be payable at a rate of 0.1% of the customer's payments for the service in the year in question against each 0.1% failure against the relevant service target in the event that Royal Mail fail to achieve its quality of service target by at least 1%, subject to a payment ceiling of 5%.
- **Claims** – payment will be made on an automatic basis by Royal Mail no later than the end of the third month after the end of the year to which the quality of service target applies. Royal Mail will be able to reduce the total payments for any product against which compensation is due to reflect payments made to individual recipients of that bulk mail product.

2.5 Compensation is proposed **for recipients of certain bulk mail products**. This compensation will be payable as if that mail was retail mail, in the way described above, except that claims will be restricted to mail sent by government bodies or in circumstances where there is a contractual

relationship between sender and recipient; and the letter concerns an amount due and is not simply advertising material.

2.6 The provisions for complaints and exceptions are similar to those for retail mail.

- **Complaints** – will be dealt with expeditiously and within the timeframes currently operated by Royal Mail. Where a claim cannot be settled it will be referred to Postwatch.
- **Exceptions to the scheme** – will include force majeure (but not industrial action by Royal Mail staff), default of credit terms (without reasonable excuse), and delay caused by third parties.

General Conditions to be applied for both Retail and Bulk mail

2.7 Postcomm recognises that the compensation scheme that will apply as a result of its determination in principle could have financial consequences for Royal Mail that affect its ability to fund its operations and provide the universal postal service. The scheme needs to be capable of suspension or modification and it needs to be closely monitored. The scheme therefore is framed so as to allow for –

- **Suspension or modification** – Royal Mail may seek suspension or modification of the scheme at any time. Postcomm will respond to such a request as quickly as possible, taking into account its statutory duties and the views of Postwatch before coming to a decision.
- **Monitoring and review** – the scheme will be monitored on at least a quarterly basis, with Royal Mail providing reports to Postcomm and Postwatch of the number of claims, the nature of claims, payments made and the extent to which additional payments have been made.

2.8 Under the terms of Royal Mail's licence the scheme is required to be reviewed every second year. Postcomm intends to press for the first review to have been completed by 1 January 2005.

Views sought

- 2.9 Postcomm has already consulted extensively on the general provisions of the compensation scheme described in this Chapter. Nevertheless it would welcome any further views that respondents wish to express on these issues.

3. Outstanding Issues – Evidence to support retail claims and compensation for recipients of bulk mail

3.1 In the time since the publication of Postcomm's March 2003 Licence Modification and Decision Document, there has been discussion by Postcomm with Royal Mail and Postwatch on two outstanding issues –

- the evidence or information needed to support claims for compensation for delays in the conveyance of retail mail, and
- payment of compensation to recipients of bulk mail that is delivered late.

Evidence to support claims for compensation for late retail mail

3.2 Royal Mail has a very real concern that the introduction of a compensation scheme for retail mail on a basis that does not allow it to reject claims that it believes are fraudulent may give rise to a large volume of fraudulent claims. It believes that a requirement to pay compensation in money rather than in postage stamps will substantially increase the risk of fraudulent claims.

3.3 Royal Mail has been working on plans for the introduction of telephone call centre facilities to handle claims for compensation. Such centres can provide efficient facilities and systems for dealing with complaints but their inevitable reliance on information provided orally, rather than in writing, makes it more difficult to root out fraudulent claims than if applications for compensation have to be made in person or in writing. Royal Mail has argued that because of the risk of fraud, compensation ought to be on a discretionary basis and generally not paid in cash. Royal Mail has suggested that against this background the proposed £10 payment for long delay is disproportionate. Royal Mail says that its present discretionary compensation scheme is one of the best offered by any major postal operator and that the norm is for no compensation to be provided.

3.4 Postcomm understands why Royal Mail would prefer not to have to have a compulsory scheme for compensation and not to have a scheme which requires payment to be made in money rather than just in stamps. However,

Postcomm thinks that a compensation scheme is necessary to provide a continuing incentive to Royal Mail as universal service provider to improve and maintain the quality of its services and that such a scheme is fair to consumers who suffer inconvenience if they do not receive the service that has been paid for. Postcomm also thinks that it is fair that consumers who suffer the extra inconvenience of long delay ought to be able to claim a higher level of compensation. Postcomm finds references to the practices of other postal operators rather unconvincing: these operators are mostly monopoly operators and have the power to deny customers the means of redress that would be expected to be offered in competitive market.

- 3.5 Postcomm thinks that Royal Mail's intention of establishing a telephone based system for administering a compensation scheme for delayed retail mail is very much to be welcomed. Postcomm agrees on the need to minimise the risk of fraud but does not agree that the scheme has to be entirely discretionary to achieve this or that money payment should not be available. It has never been Postcomm's intention to establish a scheme under which the provision of a list of stock answers to stock questions produces an obligation on Royal Mail to pay out money. Royal Mail does not have to pay compensation if it has serious reason to believe a claim for compensation is not well founded or is fraudulent.
- 3.6 Where Royal Mail thinks that a claim is not justified it has the option of declining to provide compensation. Exercising that option is likely, in the case of a genuine claim, to result in an appeal through Royal Mail's internal review procedures and, if they do not result in the refusal of the claim being reviewed, to Postwatch. Persons making fraudulent claims are unlikely to pursue those claims in this way. Ultimately, if Postwatch thinks that Royal Mail is wrongly refusing to meet claims for compensation on the basis of alleged fraud, it will refer the matter to Postcomm to enforce Royal Mail's licence obligation to meet the terms of its compensation scheme. If Royal Mail's case is good, there will be no question of an enforcement order being made.
- 3.7 The manner in which the compensation scheme for delay to retail mail will operate, as described above, therefore leads Postcomm to the view that

Royal Mail will not be exposed to an unreasonable risk of fraud that it is unable to manage. However, Postcomm thinks that, even against this background, it is sensible to minimise the risk of fraud and to respond in some detail to Royal Mail's request for greater clarity as to the evidence or information that ought to be provided by applicants for compensation in support of their claims.

3.8 The determination proposed by Postcomm therefore sets out the basic evidence that Royal Mail may be expected to seek before it decides whether to pay compensation to users in the form of stamps. For payment of compensation in cash, at either the £5 level for short delay, or the £10 level for longer delay, Royal Mail may require additional evidence to be provided, including a declaration signed by the applicant acknowledging that the provision of false information may lead to prosecution and the production of the envelope or wrapping of the delayed letter

or packet. Postcomm thinks that these proposals strike a sensible balance between the need to minimise the risk of Royal Mail being exposed to fraudulent claims and the need to ensure that aggrieved customers have a form of redress that is satisfactory to them.

3.9 Postcomm seeks the views of users and of the industry on these proposals. Relevant questions include:

- Has the risk of fraud been adequately addressed?
- Has the risk of fraud been addressed in a reasonably straightforward manner?
- Have the needs of inconvenienced recipients of delayed mail been met in a reasonable manner?

Compensation for recipients of late bulk mail

3.10 Compensation for recipients of late bulk mail has been recommended to Postcomm by Postwatch since early 2003, even though it did not form part of the package of measures agreed between Postwatch and Royal Mail in 2002. In considering this issue, Postcomm has been mindful of:

- the potential cost to Royal Mail of compensation being available in relation to the totality of mail received by recipients, rather than in relation just to the fraction of that mail that is retail mail,
- the possibility of Royal Mail being required to pay compensation twice in relation to the same late letter (and the counter arguments by Postwatch that compensation is almost completely avoidable, particularly in relation to senders of bulk mail),
- the difficulty of establishing precisely when a letter sent in bulk was posted,
- the risk of an increase in the number of fraudulent claims as a result of giving a possible value to unsolicited mail (in terms of compensation), and
- the very real inconvenience to recipients, including the possibility of incurring financial costs, if certain types of bulk mail, such as letters containing financial demands, are received late.

3.11 Postcomm has come to the view, after considering these issues, that it is possible to define types of bulk mail in relation to which it is reasonable that there should be some right to compensation for recipients for late delivery. In forming this view Postcomm has noted that Royal Mail has adopted the practice of paying compensation to recipients of some late bulk mail on a voluntary goodwill basis.

3.12 Postcomm therefore proposes that compensation should be available to recipients of delayed bulk mail where a recipient is likely to be financially inconvenienced as a result of the delay. Such inconvenience is most likely to arise in relation to delays to –

- mail sent by a central or local government department or agency (which will include tax and rate demands in particular), and
- mail sent by a person with whom the recipient has an existing contractual relationship (which will include bank and credit card

statements and demands for payment for goods or services that have been provided with the agreement of the recipient).

- 3.13 Provided that there is an exception for purely advertising or promotional material from such senders, Postcomm thinks that extending the compensation scheme to recipients of such mail ought not to expose Royal Mail to unreasonable or disproportionate risk and will expose it to a real incentive to meet its performance targets. Postcomm also thinks that compensation in these circumstances will meet the reasonable wish of recipients of mail for some compensation for the inconvenience of receiving such mail late.
- 3.14 Postcomm therefore is proposing to make a determination that requires recipients of the types of bulk mail described above to be compensated for delay in conveyance of such letters to them, as if those letters were sent as retail letters. In order to avoid the possibility of Royal Mail having to compensate both senders and recipients in relation to the same delayed letter, Postcomm proposes to allow Royal Mail to reduce the amount of compensation it pays out in relation to senders using each bulk mail service by the amount of compensation paid out to recipients of mail sent using that service.
- 3.15 Royal Mail has indicated that paying compensation to recipients of bulk mail would involve a considerable degree of complexity in terms of the questions that have to be asked by its call centre operators and in terms of the systems it will need if it is to be able fairly to reduce payments to senders of bulk mail by the amount of payments to recipients of bulk mail. Postcomm therefore proposes to allow Royal Mail additional time to introduce compensation for recipients of bulk mail. The attached determination requires compensation for recipients of bulk mail only from 1 January 2004.
- 3.16 Postcomm seeks the views of recipients of this paper on this aspect of its proposals. Questions that are relevant include:
- Are the types of mail for which compensation may be payable defined with sufficient clarity and, if not, how should the definition be

tightened?

- Are the types of mail for which compensation may be payable too narrowly defined and, if so, what other types of bulk mail should attract compensation?
- Are the measures to avoid fraudulent claims, described in Chapter 2 above in relation to retail mail, likely to be adequate in relation to bulk mail?
- Are the measures to avoid paying compensation to both the senders and recipients acceptable and, if not, what alternative would be more desirable?
- Is it reasonable to leave the development of arrangements to avoid the risk of payment to both the sender and recipient of a letter to Royal Mail?
- Is the timetable for the introduction of compensation for recipients of bulk mail reasonable?

ANNEX A

DRAFT Determination of a Standards of Service Compensation Scheme

POSTAL SERVICES ACT 2000

SECTIONS 11 AND 13

LICENCE GRANTED TO ROYAL MAIL GROUP PLC

DETERMINATION OF THE POSTAL SERVICES COMMISSION UNDER PARAGRAPH 13 OF CONDITION 4

Whereas

- (1) Royal Mail Group plc ("Royal Mail") is the holder of a licence ("the Licence") granted by the Postal Services Commission ("Postcomm") under section 11 of the Postal Services Act 2000 ("the Act") on 23 March 2001 and amended under section 14 of the Act with effect from 1 April 2003.
- (2) Paragraph 10 of Condition 4 in Schedule 2 to the amended Licence requires Royal Mail to establish a scheme to be known as the standards of service compensation scheme for compensating users of postal services affected by failure by Royal Mail to meet the quality standards applicable in accordance with scheduled standards to any postal packet.
- (3) Paragraph 13 of the said Condition 4 provides that the standards of service compensation scheme shall be in such terms as may have applied under the Licence before the date on which it was amended, or be agreed between the Licensee and the Council in the seven working days thereafter, but otherwise shall be in such terms as may be determined in writing by Postcomm, subject to certain procedural requirements being followed.
- (4) No standards of service compensation scheme was introduced under the Licence before it was amended and Royal Mail and Postwatch failed to agree the terms of such a scheme in the seven working days thereafter so it now falls to Postcomm to introduce a compensation scheme by determination.
- (5) On 23rd April 2003 Postcomm gave 2 months' notice in writing to Royal Mail that it proposed to make a determination as to the terms of the standards of service compensation scheme and published that notice.

- (6) Postcomm has received and considered representations from Royal Mail, Postwatch [and from other interested parties] in relation to its proposal to make a determination.

Now Postcomm hereby determines as follows -

1. The terms of the standards of service compensation scheme required to be established pursuant to paragraph 10 of Condition 4 in Schedule 2 to the Licence shall be the terms set out in the Annex hereto.
2. Nothing in this determination shall operate as a restriction on the subsequent modification of the standards of service compensation scheme in accordance with the provisions of the Licence.
3. Unless the context otherwise requires, words and expressions that are defined in the Licence and used in this determination shall have the same meanings in this determination as they have in the Licence.

The common seal of the Postal Services Commission hereunto affixed is authenticated by -

Authorised for that purpose by
the Postal Services Commission

Date: June 2003

STANDARDS OF SERVICE COMPENSATION SCHEME OF ROYAL MAIL GROUP PLC

Compensation to be provided by Royal Mail

1. Compensation shall be paid by Royal Mail Group plc ("Royal Mail") in accordance with this scheme to users of postal services provided by Royal Mail affected by failure by Royal Mail to meet the quality standards applicable to the conveyance of postal packets sent by services referred to in the scheme.
2. This Scheme is intended to ensure that users of postal services receive compensation for delay in the conveyance of postal packets by Royal Mail.

Retail services

Nature and extent of compensation payments

3. Subject to paragraph 7, the delays for which compensation is to be paid under paragraphs 3 to 12 of this Scheme in relation to retail services and the nature and extent of the compensation to be paid for such delays are set out in the following table.

Number of working days after item was posted	Stamped and metered 1 st class mail (with basic evidence)	Stamped and metered 1 st class mail (with additional evidence)	Special Delivery	Stamped and metered 2 nd class mail (with basic evidence)	Stamped and metered 2 nd class mail (with additional evidence)	Parcels (with basic evidence)		Parcels (with additional evidence)	
							From April 2004		From April 2004
1	due	Due	due	0.00	0.00	0.00	0.00	0.00	0.00
2	0.00	0.00	£5.00 (plus postage costs)	0.00	0.00	0.00	0.00	0.00	0.00
3	0.00	0.00		Due	due	due	due	Due	due
4	0.00	0.00		0.00	0.00	0.00	0.00	0.00	0.00
5	12 x 1 st class stamps	£5.00		0.00	0.00	0.00	0.00	0.00	0.00
6				0.00	0.00	0.00	0.00	0.00	0.00
7				12 x 1 st class stamps	£5.00	0.00	12 x 1 st class stamps	0.00	£5.00
8			£10.00 (plus postage costs)			0.00		0.00	0.00
9						0.00		0.00	0.00
10						0.00		0.00	0.00

11		£10.00				12 x 1 st class stamps		£5.00	
12									
13					£10.00			£10.00	£10.00

Notes –

1. Where '0.00' appears after the due date, this reflects the period allowed for the "tail of mail" as set out in the Annex to Condition 4 of Royal Mail's Licence. The tail of mail for parcels changes in accordance with the Annex to Condition 4 of the Licence for the year ending March 2005.
2. "Basic evidence" means the information provided by the claimant at the time of first bringing the complaint to the attention of Royal Mail and where contact is by telephone includes responses by the claimant to reasonable telephone questions asked by Royal Mail which may include –
 - (a) the names and addresses of the sender, addressee and claimant,
 - (b) the place of posting,
 - (c) the date of posting,
 - (d) the basis for asserting that date (such as date of postmark, date of letter, certificate of posting (if available) and, for Special Delivery, service documentation),
 - (e) the date of delivery,
 - (f) the basis for asserting that date,
 - (g) the type of stamp, and
 - (h) the indication (if any) of the amount of postage.
3. "Additional evidence" –
 - (a) means a statement in writing containing the information in paragraphs (a) to (h) in the note above on Basic evidence and a declaration by the claimant acknowledging that the making of a false statement may lead to prosecution, accompanied by the envelope of the letter, or the part of the wrapping that includes the address and the postage stamp or mark of the parcel, in respect of which the claim is made, and

- (b) may include an explanation, with such supporting information as is reasonably available, of circumstances that have resulted in the delay causing particular loss, distress or inconvenience to the claimant.

Procedures for payment – retail services

- 4. A claim in relation to delay to a postal packet conveyed under a retail service shall not be made after the expiry of the earlier of –
 - a) one month of receipt, or
 - b) three months from the postingof the postal packet that is subject to the delay giving rise to the claim.

- 5. Subject to paragraph 6, the persons who may claim compensation are –
 - a) the sender of a postal packet, and
 - b) the addressee of the postal packet.

- 6. In the event that both the sender and the recipient of a postal packet make a claim under this scheme in respect of that postal packet, then that right of claim shall lie only with the sender, unless compensation has already been paid to the recipient.

- 7. The scheme shall apply on a case by case basis in relation to the late arrival of postal packets conveyed to those addresses designated by Postcomm under paragraph 3 of Condition 1 of the Licence as exempted from a daily delivery obligation.

- 8. Royal Mail may require claims to be made in accordance with such reasonable procedures as, with the approval of Postcomm, it determines. These procedures may include –
 - a) arrangements for ensuring that unwarranted claims are not made, which may include a requirement that a second claim by a claimant or in relation to a particular address within a period of three months shall be supported by the Additional evidence and by further information,
 - b) arrangements for ensuring that compensation is not paid more than once in respect of the conveyance of any postal packet,
 - c) arrangements under which decisions made by Royal Mail in relation to compensation that users find unsatisfactory may be reviewed within Royal Mail, and
 - d) arrangements to ensure that those disputes that are not satisfied

under Royal Mail procedures within three months of receipt of a claim may be referred to Postwatch.

9. Payments specified in the table in paragraph 3 will be minimum payments in relation to delayed items and Royal Mail may, at its discretion, pay higher levels of compensation as befits the claim.
10. Where Royal Mail accepts that compensation is payable it will –
 - a) notify the claimant of acceptance within seven working days, and
 - b) pay compensation within one month of the day of acceptance
11. Compensation not assessed by reference to numbers of stamps shall be payable in cash or by cheque or postal order at the discretion of Royal Mail.
12. Where Royal Mail rejects a claim for compensation it shall advise the claimant of the rejection within one month of the decision to reject, advising the claimant of the reason for the rejection and that the matter may be referred to Postwatch.

Exclusions – retail services

13. Royal Mail shall be under no obligation to provide compensation –
 - a) where the postal packet is addressed in a manner that does not clearly include all the elements of the postal address or is incorrectly addressed,
 - b) where the event giving rise to the claim was caused by circumstances outside Royal Mail's control, including exceptionally severe weather conditions, acts of terrorism and vandalism, but excluding the failure of the employees, sub-contractors or agents of Royal Mail, to provide services to or for Royal Mail,
 - c) where a postal packet is posted in a manner that does not comply with the provisions of the scheme relevant to its conveyance under section 89 of the Act,
 - d) where alternative delivery arrangements have been agreed with the customer, including, for example, through the use of services such as PO Box delivery, Mail Collect and Post Restante, and the delay is caused by the customer or by the nature of the arrangements,
 - e) where a postal packet has been forwarded from the delivery address stated on the item, whether by Royal Mail under its redirection service or by a third party,
 - f) where postage for the postal packet in question is unpaid or

- underpaid,
- g) where the claim relates to a postal packet posted with another postal operator, or
 - h) in such other circumstances as Postcomm, after consulting with Postwatch, may agree.

Bulk mail services

Calculation and payment of compensation

- 14. Compensation in accordance with paragraphs 14 to 17 and 19 to 21 of this scheme shall be payable by Royal Mail to senders of postal packets using the bulk mail services in respect of failure by Royal Mail to achieve the required standards of service for any of those services in any of the target years as set out in the Annex to Condition 4 of the Licence, by 1% or more.
- 15. The level of compensation to be paid to each user of each of the bulk mail services shall be calculated at the rate of 0.1% of their annual expenditure on that service in the year in question for each 0.1% failure by Royal Mail to achieve the standard for that service in that year, provided that compensation for any user for any service shall not exceed 5% of the user's expenditure on that service in that year.
- 16. Compensation payable for delays to bulk mail services shall be announced by Royal Mail no later than the end of the third month after the end of the year to which the minimum target percentages apply.
- 17. Payment will be made by way of credit against future expenditure or, if requested by the user, by cheque and arrangements for payment shall be made (and cheques issued if required) within one month of the announcement of compensation payments.
- 18. Subject to paragraph 21, compensation shall be payable to recipients of postal packets conveyed by Royal Mail's bulk services and delivered late as if those postal packets had been conveyed by retail services, where –
 - a) the sender of the letter is a central or local government department or agency and the letter concerns a payment, or the assessment of a payment, by, or which must be made to, that department or agency, or
 - b) there is an existing contractual relationship between the sender and the recipient and the letter concerns a sum due, or the assessment of a sum due, to or from the sender pursuant to that relationship,

provided that the recipient has provided such information as Royal Mail may reasonably require (in addition to that which may be required under this compensation scheme in relation to retail services) to establish that (a) or (b) applies, and that the postal packet does not comprise essentially advertising or promotional material.

19. Compensation payments by Royal Mail under this scheme to senders of postal packets conveyed using the bulk mail services made be reduced where payment is made under paragraph 18 for late delivery of such postal packets to recipients in such manner as may be proposed by Royal Mail and agreed by Postcomm after consultation with Postwatch.
20. Decisions made by Royal Mail in relation to compensation for bulk mail services that users find unsatisfactory shall be reviewed within Royal Mail and disputes that are not satisfied under Royal Mail's procedures within three months of receipt of a claim may be referred to Postwatch for consideration.

Exclusions – bulk services

21. Royal Mail shall be under no obligation to provide compensation –
 - a) where the event giving rise to the claim was caused by circumstances outside Royal Mail's control, including exceptionally severe weather conditions, acts of terrorism and vandalism, but excluding the failure of the employees, sub-contractors or agents of Royal Mail, to provide services to or for Royal Mail,
 - b) where a sender is in default of credit terms, without reasonable excuse,
 - c) in relation to postal packets posted with another postal operator,
 - d) in relation to claims by recipients, where any of the circumstances described in paragraphs 13(a), (c), (d) or (e) above applies, or
 - e) in such other circumstances as Postcomm, after consulting with Postwatch, may agree.

General provisions for retail and bulk services

Suspension or modification of scheme

22. Royal Mail may at any time request Postcomm to suspend or modify its obligations to provide compensation in relation to retail and bulk services to such extent, in such circumstances and for such duration as Postcomm, after consultation with Postwatch, may determine.

Commencement and review

23. Paragraphs 1, 2, 13 to 17 and 20 to 27 of this Scheme shall apply with effect from the start of the year commencing on 1 April 2003.
24. Paragraphs 3 to 12 of this Scheme shall apply with effect from 1 October 2003.
25. Paragraphs 18 and 19 of this scheme shall apply with effect from 1 January 2004.
26. This Scheme shall be subject to modification and review as provided in Condition 4 of Royal Mail's Licence.

Interpretation

27. In this Scheme, unless the context requires otherwise –
 - a) terms and expressions that are defined in the Act shall have the same meaning as in the Act,
 - b) terms or expressions that are defined in Royal Mail's Licence shall have the same meaning as in the Licence, and
 - c) for further clarification in relation to this Scheme, terms in the left hand column in the table below have the meaning set out adjacent to them in the right hand column in the table.

"advertising or promotional material"	means communications – <ol style="list-style-type: none">(a) making or soliciting offers to purchase goods or services or to enter into consumer credit or banking arrangements, or(b) inviting the recipient to enter competitions, attend presentations, or receive or claim prizes, or(c) providing information, or inviting the recipient to make enquiries, about goods or services unrelated to any sum due as between the sender or by any person related to or associated with him and the recipient,
"bulk mail services"	means the services 3 to 11 of the services listed in the Annex to Condition 4 of the Licence which include all Mailsort, Presstream, PPI (Postage Paid

	Impression) and Response Services,
"delay"	<p>a postal packet shall be regarded as delayed if Royal Mail has not attempted to deliver it at the place to which it is addressed by the end of –</p> <ul style="list-style-type: none"> (a) the due date in relation to Special Delivery, (b) the seventh working day after the due date in the case of standard parcels delivered before 1 April 2005 and (c) the third working day after the due date in the case of standard parcels delivered on or after 1 April 2005 and of other services within the scope of this scheme, and <p>cognate expressions shall be construed accordingly,</p>
"due date"	<p>means –</p> <ul style="list-style-type: none"> (a) for first class services the next working day following the day of posting, (b) for Special Delivery services the date provided in the delivery specification, (c) for second class services and the standard parcel service the third working day following the date of posting, and (d) for Mailsort 3 services the date specified in the service specification agreed between Royal Mail and the sender of a mailing using the service,
"first class services"	means those services which are listed as first class services in the Notes to the Annex to Condition 4 of the Licence,
"the Licence"	means the licence granted to Royal Mail under section 11 of the Act on 23 March 2001 as amended on 1 April 2003,
"target percentage"	means for each service for each year the percentage set out in the Annex to Condition 4 of the Licence,

"undelivered"	a postal packet shall be regarded as undelivered if Royal Mail has not attempted to deliver it before the end of the fifteenth working day after its due day of delivery
"postal address"	means for any premises the address, including the postcode, maintained by Royal Mail from time to time as corresponding to those premises in the Postcode Address File,
"retail services"	means services within the scope of this scheme that are not bulk mail services,
"second class services"	means those services which are listed as second class services in the Notes to the Annex to Condition 4 of the Licence,
"services within the scope of this scheme"	means those services listed in the Annex to Condition 4 of the Licence.
"year"	means a period of twelve months ending on 31 st March.